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UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

VIACOM INTERNATIONAL INC., COMEDY PARTNERS, COUNTRY MUSIC TELEVISION, INC., PARAMOUNT PICTURES CORPORATION, and BLACK ENTERTAINMENT TELEVISION LLC,	Case No. 1:07-cv-2103 (LLS) Related Case No. 1:07-cv-3582 (LLS)
Plaintiffs,	**VIACOM PLAINTIFFS' REPLY MEMORANDUM IN SUPPORT OF MOTION FOR LEAVE TO FILE FIRST AMENDED COMPLAINT**
v.	
YOUTUBE, INC., YOUTUBE, LLC, and GOOGLE INC.,	
Defendants.	

Plaintiffs Viacom International Inc., Comedy Partners, Country Music Television, Inc., Paramount Pictures Corporation, and Black Entertainment Television LLC (collectively, "Viacom" or "Plaintiffs"), respectfully submit this Reply Memorandum in support of their motion for leave to file an amended complaint.

INTRODUCTION

The most important point about Defendants' opposition to Viacom's motion to amend its complaint to add punitive damages is what Defendants do *not* say. Defendants do not and cannot argue that permitting Viacom's punitive damages claim to go forward would cause any delay in this case, necessitate additional discovery, or impose any burden. Indeed, when the Court heard preliminary argument on this issue at the January 25 status conference, Defendants' counsel conceded that there would be no additional burden or delay. The absence of any prejudice to Defendants eliminates the "most important" basis on which courts may deny leave to amend. *State Teachers Ret. Bd. v. Fluor Corp.*, 654 F.2d 843, 856 (2d Cir. 1981).

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Having conceded that Plaintiffs' amendment will not add any burden or prejudice them, Defendants rest entirely on their contention that the amendment is futile because punitive damages are *never* available under the Copyright Act. In support of that absolutist position, Defendants cite *Oboler v. Goldin*, 714 F.2d 211 (2d Cir. 1983), the legislative history, and other authorities that *predate* this Court's decision in *Blanch v. Koons*, 329 F. Supp. 2d 568, 569-70 (S.D.N.Y. 2004). But in *Blanch*, this Court considered the same arguments and authorities, including *Oboler*, and *rejected* the very futility argument Defendants make here. The Court in *Blanch* ruled that an amendment to add a claim for punitive damages under the Copyright Act could not be rejected as futile. *Blanch* allowed the amendment so that the copyright owners' entitlement to seek punitive damages could be determined on a full factual record.

Recognizing that their position is flatly inconsistent with *Blanch*, Defendants argue that the Court should depart from its prior decision because subsequent cases have proved it wrong in the few short years since *Blanch* was decided in 2004. But, as noted above, Defendants' entire argument depends on *Oboler* and other pre-*Blanch* authorities that the Court already considered in *Blanch*. There is nothing "new" about those arguments, which the Court rejected in *Blanch*. Indeed, the only "new" developments since *Blanch* that are cited by Defendants are two unpublished district court opinions that held that punitive damages are not available for copyright infringement. But those two unpublished decisions certainly do not constitute the sea change Defendants seek to conjure up. Indeed, at least one other district court has indicated since *Blanch* that punitive damages *are* sometimes available under the Copyright Act. *See Mager v. Brand New School*, No. 03 Civ. 8552 (DC), 2004 WL 2413978, at *3 n.3 (S.D.N.Y. Oct. 28, 2004). Thus, the two unpublished district court decisions on which Defendants rely have simply helped to deepen the existing district court split on the question. In the meantime, the Second Circuit has not addressed the issue or clarified its *Oboler* dicta. In short, Defendants have provided no reason for this Court to depart from *Blanch*'s ruling that plaintiffs should have "a chance to . . . raise squarely the question whether punitive damages are available … on the facts." *Blanch*, 329 F. Supp. 2d at 569-70. As in *Blanch*, Defendants' objections to punitive damages are premature and should not be decided until a full record is developed.

ARGUMENT

The general rule is that motions for leave to amend are freely granted. Fed. R. Civ. P. 15(a). That rule is especially applicable here, because the Court's Rule 16(b) scheduling order expressly contemplates an amended complaint; there is substantial overlap with issues already in the case; the punitive damages issue is already raised in the parallel class action; and Defendants have conceded that there is no prejudice or burden from the timing of our assertion of the claim.

First, Defendants acknowledge that Viacom's proposed amendment to add a punitive damages claim will not prejudice Defendants, require any additional discovery, or extend pretrial proceedings in this case. Defendants make no claim of prejudice in their Opposition to Plaintiffs' motion. At the January 25, 2008 status conference, the Court gave Defendants the opportunity to state whether any "extra discovery and work" would be required if "the claim is allowed to be pleaded on the philosophy of Rule 15." Tr. of Jan. 28, 2008 Conference, at 9. Counsel for Defendants, concurring with Plaintiffs' counsel, stated that the punitive damages claim "probably wouldn't lead to significant additional discovery," and pointed to no additional burden, expense, or delay that would be occasioned by Plaintiffs' proposed amendment. *Id.* at 10. That concession is unsurprising, given that the malice necessary to prove entitlement to punitive damages substantially overlaps with the scienter-related questions that are already implicated by Plaintiffs' claims, including the willfulness element that is relevant to statutory damages and the purpose element of inducement of infringement. In short, Defendants acknowledge that the primary ground on which courts deny leave to amend – prejudice arising from delay or substantial additional discovery – is not present here. *See State Teachers*, 654 F.2d at 856; *Ruotolo v. City of New York*, -- F.3d ---, 2008 WL 313795 (2d Cir. Feb. 6, 2008); *Forbus v. Sears Roebuck & Co.*, 30 F.3d 1402, 1405 (11th Cir. 1994) ("In the absence of undue delay, bad faith, dilatory motive or undue prejudice, leave to amend is routinely granted").

Second, in light of the absence of prejudice or delay, Defendants attempt to argue that *Oboler* definitively forecloses punitive damages in copyright actions, and therefore that Viacom's proposed amendment is "futile." Defs.' Opp. Mem. at 2. But this Court properly rejected that very argument in *Blanch*, noting that despite *Oboler*, there was sufficient question as to whether "the copyright statute logically permits punitive damages in cases when the plaintiff seeks actual damages and profits" to justify granting leave to add a punitive damages claim. *Blanch*, 329 F. Supp. 2d at 569. That holding was in accord with other decisions from this district. *See TVT Records v. Island Def Jam Music Group*, 262 F. Supp. 2d 185, 186 (S.D.N.Y. May 5, 2003) (permitting issue of punitive damages for infringement to be tried to jury because "where the contemplated award is actual damages . . . such a recovery is compensatory only and does not address the interests of deterrence and punishment that are reflected in the principles underlying both punitive damages and statutory damages for willful infringement"); *Silberman v. Innovation Luggage, Inc.*, No. 01 Civ. 7109 (GEL) 2003 WL 1787123, at *9-*10 (S.D.N.Y. Apr. 3, 2003) (suggesting that punitive damages might be available in certain circumstances).

Accordingly, the Court in *Blanch* ruled that the punitive damages amendment should be allowed, and that the availability of punitive damages should not be prematurely decided at the pleadings stage, but only after development of the factual record. *Blanch*, 329 F. Supp. 2d at 560-70. The wisdom of that approach is confirmed by Defendants' Opposition here. Defendants suggest that punitive damages should not be available in factual circumstances where the plaintiff has not registered a work within the narrow window of time required to qualify for *statutory* damages under 17 U.S.C. § 412 (permitting statutory damages only if copyright is registered before infringement of unpublished works, or within three months of publication for published works). *See* Defs.' Opp. Mem. at 8 & n.5. Defendants appear to assume that Viacom did not register its copyrights within the § 412 window for statutory damages, and assert that punitive damages should be precluded because of this assumed "tardy" registration. *Id.* But Defendants' factual assumption is baseless and premature. Factual development will show that Viacom *did* register the copyrights for most of the works in suit within the § 412 window. With respect to such copyrights, there is no basis at all to assert that Viacom's registrations were "tardy." And with respect to these works, Plaintiffs seek to preserve their right to *elect* actual damages plus punitive damages as an *alternative* to statutory damages. Thus, to the extent Defendants are relying on factual assertions about "tardy" registration, their argument is patently premature.

At the same time, Plaintiffs submit that punitive damages may *also* be available when a work is *not* registered within the § 412 window, such that statutory damages are not available – exactly the situation approved by this Court in *Blanch*, 329 F. Supp. 2d at 570 (allowing amendment to add punitive damages claim where "statutory damages are unavailable because the infringement commenced before the work was registered"). The deadlines for registration under § 412 apply *only to statutory damages*. Those registration deadlines do not apply to recovery of actual damages – and Viacom seeks to recover punitive damages only if it elects actual rather than statutory damages for specific infringements. Although Defendants suggest that under such circumstances Viacom is to blame for being "tardy" with its registration, that assertion is not only legally irrelevant, it is also factually unsupported. Factual development in this suit will show that infringement of Plaintiffs' works on the YouTube site often begins *immediately* after the works are created and broadcast on television. The speed and scope of Defendants' wrongful infringing conduct may sometimes make it impossible for Viacom to register the works within the timeframe set out in § 412 for statutory damages. While Defendants' wrongdoing (not Viacom's supposed "tardiness") might preclude statutory damages under § 412, there is absolutely no reason why Defendants' own wrongdoing should also preclude Viacom from recovering punitive damages in connection with an actual damages award, which is not subject to § 412.

Thus, at a minimum, factual development is needed to assess Defendants' unsupported assertion that Viacom was "tardy" in registering its works as a basis for precluding punitive damages. As the Court correctly held in *Blanch*, those kinds of factual issues are not properly resolved on a motion to amend a complaint.

Third, recognizing that *Blanch* cannot be distinguished, Defendants attempt to argue that legal developments in the few years since *Blanch* was decided have demonstrated that it was wrong and should not be followed here. But the circumstances now are not materially different from when this Court decided *Blanch*. There has been no intervening Second Circuit clarification of the issue, and the district courts remain divided. Since *Blanch*, the split among courts in this district has deepened, with two courts holding that punitive damages are not available, *see* Defs.' Opp. Mem. at 9 (citing two unpublished district court cases), and one court stating that punitive damages are available in appropriate circumstances. *See Mager*, 2004 WL

2413978, at *3 n.3 ("Punitive damages are *rarely* appropriate in copyright infringement actions …. There was no 'willful' infringement here and thus Mager is not eligible for punitive damages") (emphasis added). In any event, subsequent district court decisions on either side of the issue are not binding authority. In the absence of intervening Second Circuit authority, there is simply no reason to hold that the law has changed since *Blanch*.[1]

Thus, Defendants' argument that *TVT Records* and *Blanch* have been shown to be outliers is misplaced. The Court should adhere to its prior ruling in *Blanch* that amendment to add a punitive damages claim under the Copyright Act is not futile, and that the availability *vel non* of punitive damages should be decided on a concrete record after discovery or trial - and should not be determined prematurely at this early stage in the proceedings.

Fourth, the Class amended complaint in the parallel *Premier League* action already requests punitive damages and thus raises many of the same issues as Viacom's amended pleading. Notably, with respect to the Class's complaint, Defendants concede that now is not the "appropriate time" to address those issues. Defs.' Opp. Mem. at 4 n.3. Indeed, Defendants have never challenged the claim for punitive damages in the Class action complaint. *See* Amended Class Action Compl. in *Premier League* ¶ 148. The Class complaint seeks an award of punitive

[1] Indeed, if *Blanch* and *TVT* were blatantly wrong, as Defendants contend, the Second Circuit itself had an opportunity to say so in *TVT*, but it did not do so. After the district court decided to instruct the jury on punitive damages for copyright infringement in *TVT*, 262 F. Supp. 2d at 187, the jury found copyright liability and awarded punitive damages. The plaintiff subsequently elected statutory damages (and therefore did not receive any punitive damages for infringement), and the defendant appealed the entire verdict to the Second Circuit. *See TVT Records v. Island Def Jam Music Group*, 412 F.3d 82 (2d Cir. 2005), *cert. denied*, 126 S. Ct. 2968 (2006). While the plaintiff's election of statutory damages on the copyright claims technically mooted the issue whether punitive damages can be awarded when actual damages are elected instead of statutory damages, one would expect the Second Circuit to say something about the issue if *TVT*'s (and *Blanch*'s) punitive damages ruling were such an extreme outlier as Defendants claim. The Second Circuit's silence is a good indication that the split in district court decisions on this issue reflects the unsettled nature of Circuit precedent – there is no clear rule absolutely precluding punitive damages under the Copyright Act in all cases.

damages "on all sound recordings protected by state law, or as otherwise permitted by law." *Id.* Without any basis, Defendants unilaterally claim that the "natural reading" of the Class pleading is that it seeks punitive damages "only insofar as the[] claims arise under sources of law other than the Copyright Act"; Defendants also state they intend to challenge that pleading for punitive damages "at the appropriate time." *See* Defs.' Opp. Mem. at 4 n.3.

However, the Class pleading seeks punitive damages not only for unpreempted state law claims expressly permitted by the Copyright Act (*see* 17 U.S.C. § 301(c)), but also "or as otherwise permitted by law." Amended Class Action Compl. in *Premier League* ¶ 148. Because the holding in the *TVT* case permits recovery of punitive damages under the Copyright Act in certain circumstances, the Class pleading must be fairly read to encompass such claims as well. It thus raises many of the same issues as Viacom's amended pleading, even though Defendants have not challenged the Class pleading. In addition, to the extent that the relief sought by Class Members, including absent Class Members, may arise under other laws, including foreign law, it is premature to attempt to preclude such claims now. In light of the fact that the Class litigation encompasses a claim for punitive damages against which Defendants have not moved, Viacom's punitive damages will not expand the scope of the issues beyond what already is pled without objection in the Class Action. It would be inappropriate to deny Viacom leave to amend its complaint to seek punitive damages on the ground of futility, when such a claim has already been asserted in the parallel Class action without objection.

CONCLUSION

For the foregoing reasons, this Court should grant Plaintiffs' motion for leave to amend their Complaint.

Dated: February 15, 2008
New York, New York

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Donald B. Verrilli, Jr., hereby certify that on February 15, 2008 I served the foregoing **Viacom Plaintiffs' Reply Memorandum in Support of Motion for Leave to File First Amended Complaint** upon all counsel in this action action via the Court's electronic case filing system:

Respectfully submitted,

Viacom International Inc., Comedy Partners, Country Music Television, Inc., Paramount Pictures Corporation, and Black Entertainment Television LLC

s/ Donald B. Verrilli, Jr.
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